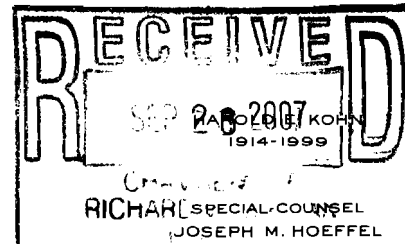


KOHN, SWIFT & GRAF, P.C.

MEMO ENDORSED

ONE SOUTH BROAD STREET, SUITE 2100
PHILADELPHIA, PENNSYLVANIA 19107-3304



JOSEPH M. HOEFFEL
JOSEPH M. HOEFFEL
GEORGE W. CRONER
ROBERT J. LAROCCA
DENIS F. SHEILS *
DOUGLAS A. ABRAHAMS *
WILLIAM E. HOESE
STEVEN M. STEINGARD *
STEPHEN H. SCHWARTZ *
CRAIG W. HILLWIG
ELKAN M. KATZ
CHRISTINA D. SALER *
HADLEY P. ROELTGEN *
ALLAN M. HOFFMAN *
NEIL L. GLAZER **

(215) 238-1700

TELECOPIER (215) 238-1968

FIRM E-MAIL: info@kohnswift.com

WEB SITE: www.kohnswift.com

E-MAIL: RSWIFT@KOHNSWIFT.COM

OF COUNSEL
MERLE A. WOLFSON
LISA PALFY KOHN

* ALSO ADMITTED IN NEW YORK
* ALSO ADMITTED IN NEVADA
* ALSO ADMITTED IN NEW JERSEY
* ALSO ADMITTED IN THE DISTRICT OF COLUMBIA
** ONLY ADMITTED IN NEW YORK

September 25, 2007

VIA FEDERAL EXPRESS

*Phase discuss
settlement with
Magistrate Judge
Gorenstein ASAP.*

Honorable Richard M. Berman
United States Courthouse
500 Pearl Street, Room 650
New York, NY 10007

Re: Mike's Train House, Inc. v. Lionel LLC, 07 Civ. 7946 (RMB)

SO ORDERED:

Date:

9/27/07 Richard M. Berman
Richard M. Berman, U.S.D.J.

Dear Judge Berman:

I am counsel for Appellant Mike's Train House, Inc. ("MTH") in this bankruptcy matter now on appeal before Your Honor. We filed our opening brief on September 20, 2007.

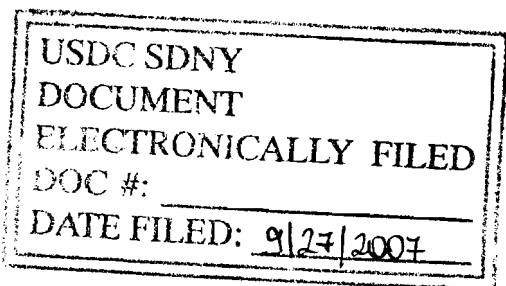
The principals of MTH and Lionel, and their counsel, have worked very hard over the past several months to effect a comprehensive settlement of very substantial theft of trade secrets and patent infringement matters that would settle all outstanding litigation between these business competitors, would allow Lionel to emerge from bankruptcy, and would prevent several lengthy trials on the merits in Federal District Court and/or bankruptcy court. We successfully negotiated a three page single-spaced term sheet by the end of August. However, in trying to now reduce that to a settlement agreement, we reached an impasse over several non-monetary terms.

I write to request that Your Honor schedule a settlement conference at the earliest opportunity, or refer this matter to another Federal Judge or Magistrate Judge for settlement purposes, because I believe that such a course will reasonably lead to full settlement. We encourage the Court to take this opportunity to bring this litigation to a close by scheduling a settlement conference with principals present.

Respectfully yours,

Robert A. Swift

Robert A. Swift



KOHN, SWIFT & GRAF, P.C.

CONTINUATION SHEET NO. 2

HON. RICHARD M. BERMAN
SEPTEMBER 25, 2007

RAS:yr

Cc: All Counsel via Federal Express

Attorneys Receiving copies via
Federal Express:

SCHULTE ROTH & ZABEL LLP
919 Third Avenue
New York, New York 10022
Attn: Adam C. Harris

*Attorneys for Lionel LLC and Liontech
Company*

HALPERIN BATTAGLIA RAICHT, LLP
555 Madison Avenue, 9th Floor
New York, New York 10022
Attn: Alan D. Halperin

*Attorneys for The Official Committee of
Unsecured Creditors of Lionel L.L.C.*